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SUBJECT: DEPUTY SECRETARY,S TOUR D,HORIZON WITH PRESIDENT
FERNANDEZ JUNE 4

Classified By: AMBASSADOR HANS H. HERTELL FOR REASON: 1.4(b) and (d)

11. (C) Summary. Dominican President Fernandez used a wide-ranging meeting with the Deputy Secretary June 4 to elicit support from within his own implementation team to take the steps needed to bring CAFTA-DR into force by August.

Urged by the Deputy Secretary to support Guatemala for a seat on the UN Security Council, President Fernandez explained that his government had been waiting to see how support develops; he suggested that the Dominican Republic would make a good consensus candidate if one were needed. On Haiti, President Fernandez called President Rene Preval "the only potentially effective leader Haiti has" and urged international support to ensure Preval demonstrated effectiveness before time ran out on him. President Fernandez listened carefully to the Deputy Secretary,s description of the importance of the Aleman money laundering case and the desirability of Dominican cooperation in the lead-up to the November 2006 Nicaraguan elections. In energy, President Fernandez described the Mexico-Central American Mesoamerica Initiative as being of significant utility for Central America, but of more limited benefit to the Dominican Republic. Back in the Dominican Republic, President Fernandez said he planned to use his party,s recent electoral mandate to build a democracy based on institutions rather than personalities and, with the help of the team organized by his Technical Secretary, work to bring the Dominican Republic up to standard on the objective indicators used to guide selection of assistance recipients by the Millennium Challenge Corporation (MCC). End summary.

12. (C) The Deputy Secretary, accompanied by Ambassador Hertell, WHA PDAS Shapiro, and staff met June 4 with Dominican President Leonel Fernandez in the Presidential Palace. Fernandez was accompanied by the Secretary of Industry and Commerce, Francisco Javier Garcia; the Dominican Ambassador to Washington, Flavio Dario Espinal, and the head of the Dominican implementation team for CAFTA-DR, Vilma Arbaje. The meeting took place on the margins of the OAS General Assembly.

CAFTA-DR

¶3. (C) President Fernandez began by noting that the Dominican Republic is in the final stages of the effort to bring CAFTA-DR into effect in his country and that he hoped to have it fully implemented by August. (Note: When Secretary Rice telephoned him on June 3, Fernandez stated

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that he hoped CAFTA-DR "would be put into force by late July or early August." End note.) At his request, Vilma Arbaje, the head of the team working with USTR on implementation, briefly presented the Dominican positions on dealer protection ("Law 173") and data protection in terms similar to the ones used in the May review talks with USTR. After some back and forth, Fernandez concluded that the Dominican Republic was making progress on Law 173. On data protection, and after some dialogue in which Arbaje started to argue that CAFTA language does not obligate the Dominican Republic to protect data, Fernandez elicited an opinion from her that the best course of action for the Dominicans was to do in fact what CAFTA says and bring Dominicans on board with the agreement,s requirements.

¶4. (C) The Deputy Secretary then explained his principal interest: getting the agreement put into effect and helping the Dominican Republic within the context of the bilateral relationship and overall development assistance. He praised Susan Schwab, the President,s nominee to be the next U.S. Trade Representative, as a good closer of agreements. He encouraged Fernandez to use the political power earned in the May elections quickly to resolve the final issues, including in the areas of dealer protection, regulations on patents, data protection, and government procurement. He urged Fernandez to find technical experts on data protection who understood the requirements and political experts who would

make data protection a reality in the country. He concluded by telling Fernandez that he had been impressed by Fernandez, strategic vision that CAFTA was important for the country. Fernandez had been a great partner on CAFTA. "Let,s get this done," he urged. Secretary of Industry and Commerce Garcia noted that all sectors now favored CAFTA.

The Guatemala-Venezuela Race for a UN Security Council Seat

¶5. (C) The Deputy Secretary highlighted the importance of the UN Security Council and of this seat for issues of international scope such as Iran. Think what Venezuela as a member of the UN Security Council would do on Iran, for example, he urged. He noted that there was strong support from the Central Americans for Guatemala, but less from Caricom. Overall, there wasn,t much doubt that Guatemala was ahead, just a question of whether it could garner two thirds of the votes required for blocking Venezuela,s bid for the UNSC seat.

¶6. (C) President Fernandez replied that the Dominican Republic was taking a "wait and see" approach on pledging its support for the seat. The country had wanted to run for a UNSC seat in 1999, but dropped its bid at the request of Mexico, in the interest of bolstering stronger regional representation within the Council. It has already indicated interest in running next year. If Guatemala didn,t succeed this time round, perhaps the Dominican Republic would be good candidate in its place, he offered. (Note: This discussion may foreshadow an attempt on the part of the Dominican Republic to shore up U.S. support for a future candidacy, in exchange for full-fledged support for Guatemala,s current bid. Regardless of this development, IO reports that the Dominican Republic has been an active supporter of Guatemala in the current UNSC seat race. End note.)

Haiti and Haitians in the Dominican Republic

¶7. (C) The Deputy Secretary noted that President Fernandez had taken important steps in Haiti and invited the President,s views on the current situation.

¶8. (C) President Fernandez said that with President Preval,s election, Haiti has another chance to overcome its democratic difficulties. Preval did well in his first term, and he is the only potentially effective leader Haiti has, Fernandez thought. However, time is running out on him, and the international community can) and needs to -- help him demonstrate effectiveness.

¶9. (C) The conversation turned to Haitians in the Dominican Republic. President Fernandez estimated that there were some 700,000 in the country. Whereas traditionally they had been the country,s sugarcane workers, now they worked in many areas of agriculture (rice, tomatoes, and other crops in addition to sugarcane) and in construction.

Aleman and Money Laundering

¶10. (C) The Deputy Secretary praised the Dominican Republic for having established a new anti-money laundering office. He then highlighted U.S. and Panamanian concerns about the alleged involvement of former Nicaraguan president Arnoldo Aleman in money laundering (i.e., movement of millions of dollars to bank accounts in the Dominican Republic while he was President.). Spain and the other 14 Schengen countries have recently blocked Aleman,s entry into their territories.

The united States has revoked his U.S. visa and the visas of his family members, and also undertaken forfeiture proceedings against hundreds of thousands of dollars worth of illicit assets that he has stowed in the U.S. Panama was

investigating. The Deputy Secretary urged Dominican cooperation on the money laundering issue, particularly since the investigative trail led to the Dominican Republic. There were two key issues here: fighting corruption and sending a message that Aleman,s day was past, that democratic governments would not support corrupt officials even if the alternative was a leftist government. In this case, a strong position could even send a message to other candidates to come forward in this race, another positive.

¶11. (C) President Fernandez said he had not been aware of this case, but took note of the issue as the Deputy Secretary described it. (Note: the Attorney General,s anti-money-laundering unit interviewed a prominent Dominican businessman on May 31, responding to a request from the Panamanian authorities; an officer from the Embassy,s DHS unit participated in the questioning.)

Energy: Mesoamerica Initiative, Ethanol

¶12. (C) Conversation touched briefly on the just-concluded Mesoamerica energy summit meeting of the presidents of Belize, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, and the Dominican Republic held in La Romana, Dominican Republic. President Fernandez noted that the projects supporting the initiative were largely focused on Central America, but that Dominican Republic might get a safety cushion of oil financing from Mexico (Note: Mexico will supply 65 percent of the crude at a discount, with small volumes from Belize and Guatemala and the rest from international markets. End note). Although an observer to the La Romana meetings, a U.S. delegation headed by WHA DAS Patrick Duddy reported to the Mesoamerica plenary that the USG supports the initiative through ongoing USTDA/EPA/AID clean energy work.

¶13. (C) Asked about sugarcane and ethanol, President Fernandez said the Dominican private sector had looked at

ethanol production. Ethanol development would have to be a private sector initiative, he said, but that the private sector was not yet excited. They were deterred because of the 5-6 year lead time raised concerns about profitability.

Dominican Development: What Comes Next

¶14. (C) The Dominican Republic had a great economic year, President Fernandez said: 9 percent growth in 2005 and an even higher figure "12 percent annualized" for the first few months of 2006. Services (banking, trade, tourism, and finance) were growing fastest, though traditional agriculture (sugar and tobacco) remained part of the mix.

¶15. (C) President Fernandez, s Dominican Liberation Party (PLD) had just won control of both houses of the legislative and nearly half of the municipalities. President Fernandez said he wanted to use this mandate to continue the country, s march toward democratic modernization, i.e., toward creating a democracy rooted in institutions rather than in personalities. Fernandez explained that he hoped to organize a grassroots discussion that would identify reforms the people wanted and lead to the development of a new constitution. The Deputy Secretary noted that Fernandez, goal dovetailed with the focus of the OAS private dialogue held between foreign ministers earlier that day, which had been on strengthening institutions.

Millennium Challenge Corporation

¶16. (C) At the end of the meeting, the Deputy Secretary reminded President Fernandez about the Millennium Challenge Corporation and described its philosophy of giving aid to

countries who invest in their people and fight corruption. The program fit naturally with President Fernandez own current efforts. Thus, if the Dominican Republic could be brought to the point of qualifying, it could receive a big infusion of funds that can help the country enormously to carry out its dreams. President Fernandez noted that with CAFTA, the Dominican Republic might qualify on some of the objective indicators and said his Technical Secretary, Temistocles Montas, was leading a team of experts working to bring the country up to standard in each of the indicators.

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